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BBA (Sem. - 4th)

FINANCIAL MANAGEMENT

SUBJECT CODE : BB - 402 (2008 to 2011 Batch)

Paper ID : [C0219]

Time : 03 Hours **Maximum Marks : 60**

Instruction to Candidates:

1) Section - A is **compulsory**.
2) Attempt any **Four** questions from Section - B.

Section - A

Q1) *($10 \times 2 = 20$)*

a) Explain wealth maximisation.

b) Explain the concept of capital mix.

c) What is cut-off rate?

d) What is capital rationing?

e) What are the features of investment decisions?

f) Explain the concept of trading on equity.

g) What is EPS? How is it calculated?

h) How would you calculate the cost of debt?

i) What is a discount rate?

j) What are the assumptions of M-M approach?

Section - B

(4 × 10 = 40)

Q2) Explain the modern approach to financial management. Discuss the functions of a finance manager.

Q3) What are capital budgeting decisions? Evaluate Net Present value method of capital budgeting.

Q4) Discuss the pros and cons of using debt and equity in capital structure.

Q5) Evaluate Net Income and Net Operating Income approaches to capital structure.

Q6) Discuss the methods of calculating the cost of equity and preference shares.

Q7) a) Explain the post-payback period method.

b) A company is considering making investment in two mutually exclusive projects X and Y. On the basis of the following expected cash flow from both the projects, calculate the Payback period of each project. Advise the company as to which project should it accept.

	PROJECT X	PROJECT Y
Project cost (Rs)	7,00,000	7,00,000
Cash inflows (Rs):		
Year 1	1,00,000	5,00,000
Year 2	2,00,000	4,00,000
Year 3	3,00,000	2,00,000
Year 4	4,50,000	1,00,000
Year 5	6,00,000	1,00,000